

Interim report

1 January–30 September 2022



NILAR CONTINUES TO EXECUTE ON REVISED STRATEGY

July – September 2022 in summary

- Net sales, MSEK 1.2 (5.4).
- Production MWh 0.2 (4.2).
- Delivered batteries 68 (884).
- Gross profit¹ MSEK -31.3 (87.4).
- EBITDA MSEK -38.0 (-93.0).
- Operating profit (EBIT) MSEK -53.8 (-112.2).
- Profit for the period MSEK -63.8 (-100.0).
- Earnings per share before/after dilution SEK -0.21 (-0.7).

January - September 2022 in summary

- Net sales MSEK -1.2. (17.9).
- Production MWh 0.4 (10.7).
- Delivered batteries 572 (2 959).
- Gross profit¹ MSEK -107.1 (-241.8).
- EBITDA MSEK -128.8 (-271.5).
- Operating profit (EBIT) MSEK -175.8 (-326.9).
- Profit for the period MSEK -205.8 (-349.0).
- Earnings per share before/after dilution SEK -1.14 [-3.94]³.

Significant events during the third quarter

- Nilar began making the new ReOx battery throughout the quarter. ReOx is a patented innovation and procedure that permits oxygen filling when the battery has deteriorated and lost capacity. This restores the battery's original qualities and up to three times the life and energy production.

Significant events after the balance sheet date

- In accordance with the terms in Nilar's rights issue in Q2 2022, the remaining approx. 21 million shares with delayed payment were issued and settled during October generating MSEK 21.5 in cash for the company before deductions of fees.
- A new collaboration arrangement with Dutch Mc Energy was signed. The agreement involves "Proof of concept" and a seven-system prototype project.

MSEK	2022 jul-sep	2021 jul-sep	2022 jan-sep	2021 jan-sep	2021 jan-dec
Revenue	1,2	5,4	-1,2	17,9	17,8
Gross profit	-31,3	-87,4	-107,1	-241,8	-479,5
EBITDA	-38,0	-93,0	-128,8	-271,5	-382,0
Operating income (EBIT)	-53,8	-112,2	-175,8	-326,9	-596,4
Net profit/loss after tax	-63,8	-100,0	-205,8	-349,0	-600,5
Cash flow from operating activities	2,2	-16,2	6,4	31,0	12,0
Cash flow from investing activities	-6,6	-65,6	-38,4	-153,3	-215,1
Cash flow from financing activities	-15,9	-1,1	219,3	819,6	818,5
Equity/debt ratio, %	-%	-%	-%	-%	-%
Shares in issue at end of period, '000	297 067,0	45 511,8	297 067,0	45 511,8	45 511,8
Share options in issue at end of period, '000	250,3	260,3	250,3	260,3	260,3
Weighted average number of ordinary shares in issue, '000	297 067,0	45 511,8	131 226,9	28 009,6	32 385,1
Delivered batteries, number	68	884	572	2 959	3 186
Average employed and contracted personnel, number ⁴	106	248	125	216	225

¹ Alternative key ratios. See page 17 for further explanations. Applies to this and all subsequent alternative key ratios in the report.

² For Average number of shares and Earnings per share after dilution, the option rights in the EIB loan have not been taken into account, as that would have resulted in a small negative result per share.

³ The historic amount of outstanding stocks when calculation earnings per share have been recalculated as an effect of the bounds issue parameter in the carried out rights issue during q2 2022. The conversion factor is 3.16

⁴ Average numbers of employed for July – September 2021 have been corrected from previously reported 227 to 248

CEO'S COMMENTS: WE CONTINUE TO DELIVER ACCORDING TO PLAN

Start of production for next-generation batteries in Nilar's third quarter

The third quarter meant that Nilar took a very important step forward when the production of batteries with the so-called ReOx technology began. The battery has been developed in close collaboration with researchers at Stockholm University and is the first of its kind in the world. In short, the technology means that used batteries can be filled with new life and thus regain the same storage power as a new battery.

The technology breakthrough extends the life of the batteries by several years and means significant cost savings for customers, as well as a greatly reduced resource and environmental impact. Our assessment is that our new batteries can play an important role in stationary energy storage systems that are needed both in homes, industries, other commercial premises as well as in the grid infrastructure of the future, to be able to store energy production from renewable energy sources and to smooth out fluctuations in power and price.

The order that is now being produced concerns a total of 800 batteries with associated software to be delivered to Enequi and integrated into their intelligent energy storage system QuiPower Storage – Hydride. Deliveries have begun.

New collaboration expands the field of use for Nilar's batteries. On November 14, we were able to announce about a new collaboration with Mc Energy, a Dutch company, specialized in the design and production of advanced energy storage solutions. Mc Energy develops customized energy storage systems that are primarily aimed at industrial users. The letter of intent is a milestone in Nilar's strategic plan, where we seek partners with high technical ability to integrate our battery technology into complete energy storage solutions with a clear focus on specific market segments.

In short, the collaboration has an initial objective of three sub-projects, an integration project where next-generation Nilar batteries are tested together with Mc Energy's GridConn solution, and a pilot project where Nilar delivers around 350 batteries to seven Mc Energy BattPack 60 systems. The third project consists of enabling a larger volume production of the BattPack system, which includes Nilar's batteries. In many ways, Mc Energy complements our existing partners by offering solutions for industrial customers, which suits Nilar's advanced battery technology.

The energy crisis in Europe is driving demand for energy storage

The discussion about how we create a sustainable energy system has probably never been as relevant as today and is high on the agenda for both politics and business, in Sweden as well as in Europe. Here we see that safe and durable battery systems are a prerequisite for the green transition. Batteries are needed to be able

to store energy production from renewable energy sources such as solar and wind power and to smooth out imbalances in the electricity grid.

Today, unplanned forms of energy account for approximately 10 percent of global energy production, and by the year 2035, that proportion is expected to increase to 35 percent. In parts of Europe, the proportion of unplanned energy production is already much higher today. It is becoming increasingly clear that the European energy crisis must be solved by increasing society's capacity to store energy, not least in houses, apartments and other properties.

Nilar supplies Safe and Sustainable batteries

Thanks to the flame-resistant and water-based chemistry, Nilar's batteries are also the safest choice. Our batteries fit in any property, regardless of whether it concerns a home, an office building or an industrial property. In fact, Nilar's batteries are so safe that they can be transported by air without any restrictions or special documentation.

ReOx technology allows our battery to be restored with new life, and circularity permeates everything we do, from design to completion and recycling of batteries. The flat cell design of our batteries is designed to simplify disassembly, allowing material to be reused in new battery cells. In addition, Nickel, the main component of the active material, is easily recycled without loss of quality. All batteries are manufactured in Sweden with 100 percent renewable energy.

Right now, there is a big focus on further developing the battery's performance and capacity, as well as continued efficiencies in the production stage. Sales take place through a few, carefully selected partners who deliver tailored comprehensive solutions for different market segments. With a strong offer and a clear strategy, we work diligently to reach Nilar's ambitious objectives.



THE BUSINESS

ABOUT NILAR

Nilar is a Swedish-based developer and manufacturer of batteries aimed to build Electrical Energy Storage (EES) systems. Energy storage can be used to bridge the gap between energy production and consumption, for example to better exploit the potential of intermittent electricity production from renewable energy sources, such as solar and wind power. EES system will also play a key role when it comes to reinforce increasingly strained electricity grids. Nilar's battery technology is Nickel-Metal Hydride (NiMH) based with a water-based electrolyte, resulting in a strong environmental and safety profile, together with a competitive price profile over a life cycle.

The company is headquartered in Täby and production are since 2012 based in the Gävle, where the company's research and development also takes place.

The NILAR share is listed on Nasdaq First North Premier Growth Market. For more information, see www.nilar.com.

FINANCIAL TARGETS

SALES:

Net sales will reach at least SEK 1 billion by 2025 through increased production capacity in the Gävle factory and the establishment of a second factory in Paldiski, in Estonia.

PROFITABILITY:

Long-term EBITDA margin of at least 20 percent. Margin improvements are expected to be achieved through, product development, increased pricing, economies of scale, a higher proportion of production in low-cost regions and the introduction of new service offerings related to Nilar's reoxygenating technology and data monitoring.



FINANCIAL OVERVIEW

JULY-SEPTEMBER 2022

TURNOVER AND EARNINGS

Revenue for Q3 declined to MSEK 1.2 (5.4) In accordance with the last two quarters Nilat have kept the sales very modest pending the the release of the upgraded ReOx capable battery pack. The new ReOx update is an importent milestone in Nilars ambition to produce a sustainable and safe battery. Nilar will focus its future sales to specific preferred partners that can assure quality, safety and functionality. The number of batteries sold for the quarter decreased by 92% to 68 (884)

Cost of sales decreased to MSEK -32.6 (-92.7). The decline in cost of goods sold is driven by lower cost of material as an effect of the reduced production and sales during the quarter. The layoff in the production department during Q1 also contributed to a lower cost.

Cost of sale during Q2 have not been affected of dissolution of the warranty reserve that was taken during Q4 2021. Remaining amount of the provision at the end of Q3 remains therefor at MSEK 22.7.

Gross Profit for the quarter MSEK -31.3 (-87.4),

Cost for R&D came in at MSEK -8.7 (-5.4) MSEK witch is MSEK 3.3 more than previous year despite a decline in employees and consultants. The higher cost is explained by the fact that less time and spend have been allocated to capitalizable projects than during Q3 2021.

Distribution & Selling cost for the quarter MSEK -5.4 (-10.5), the lover cost relates to reductions in employees and 3 party contractors.

Administrative expenses for the quarter MSEK -8.4 (-9.3), 12% lower than same period last year.

Depreciation for tangible and intangible fixed assets amounted to MSEK -15.8 (-19.2). Depreciation of machinery equipment increased to MSEK -13.3 (-10.1) because of the expansion of the production facility. Depreciation of capitalized development expenses and patents amounted to MSEK -0.0 (-7.9) the reduction relates to the wright down of older product and battery design made in Q4 2021.No new depreciation have started on current capitalized development or patents. Depreciation expenses for right-of-use assets amounted to MSEK -2.5 (-1.3).

Other operation income MSEK 0.0 (0.3),

Operating profit increased to MSEK -53.8 (-112.2). Lower production during the quarter in combination with lower depreciations of intangible assets and cost savings initiated in Q4 2021 are all part of the improvement.

Financial items amounted to MSEK -10.0 (-12.2), of which MSEK -1.2 relates to loss in exchange rates, interest on loans and accrued service charge to the EIB, amounted to MSEK -7.6. Interest component of the lease liabilities related to costs for the company's premises MSEK -0.8

Profit before and after tax amounted to MSEK -63.8 (-100.0).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities amounted to MSEK -48.1 (-112.0). Changes in working capital amounted to MSEK -5.9 (-39.2), of which MSEK -4.7 consisted of decreased operating liabilities, MSEK +3.7 was decreased inventories and MSEK -4.9 was increased operating receivables.

Investments amounted to MSEK -6.6 (-65.6), of which MSEK -5.9 (-60.4) consisted of investments in machinery and equipment for the

factory in Gävle and Paldiski MSEK -0.7 (-5.3) consisted of capitalised development costs and patents.

Cash flow from investment activities amounted to MSEK -15.9 (-1.1). Cost relating to the rights issued in Q2 2022 amounted to -13.7 (0.0)The amortisation component of the lease liabilities relating to the company's premises costs amounted to MSEK -2.2 (-1.1).

Cash flow for the period was MSEK -70.7 (-178.8).

JANUARI – SEPTEMBER 2022

TURNOVER AND EARNINGS

Revenue declined to MSEK -1.2 (17.9). The negative turnover during the period relates to repurchased systems from 2 European distributors during the first quarter to a value of MSEK -4.7. The reason behind the repurchase is the previous announced uncertainties relating to product quality and the risk for high future warranty costs which have resulted in a short term stop in new sales and returns of non-deployed systems. Nilar assess this to be a more cost-efficient approach than what a potential future warranty claims from end customer could generate. The number of batteries sold for the quarter decreased by 81% to 572 (2 959)

Cost of sales decreased to MSEK -105.9 (-259.7). The decline in cost of sales is driven by the reduced production and sales during the period. Reduction of staff in Q1 have also had an positive contribution. Staff related cost have decreased during the quarter driven by a reduction in both 3-party consultants and own employees.

The impaired inventory for the period generated a cost of MSEK -9.3. and is an effect of Nilar's new product strategy generating a need to depreciate obsolete articles and products relating to older systems and earlier battery design.

Cost of sale for delivered warranty related goods and services have been offset by the dissolution of MSEK 4.1 out of the warranty provision of MSEK 26.8 taken in Q4 2021,

Gross Profit for the quarter MSEK -107.1 (-241.8),

Cost for R&D MSEK -26.5 (-21.9) the increase is an effect of less cost have been capitalized compared with same period last year

Distribution & Selling cost for the quarter MSEK -19.9 (-33.8), the reduction in cost relates to fewer employees and less use of 3 party contractors.

Administrative expenses have decreased compared to same period last year MSEK -25.6 (-30.2),

Depreciation for tangible and intangible fixed assets amounted to MSEK -47.0 (-55.4). Depreciation of machinery equipment increased to MSEK -40.0 (-28.3) because of the expansion of the production facility. Depreciation of capitalized development expenses and patents amounted to MSEK -0.0 (-23.3) the reduction relates to the right down made in Q4 2021. No new depreciation have started on current capitalized development or patents Depreciation expenses for right-of-use assets amounted to MSEK -6.9 (-3.8).

Other operation income increased to MSEK 3.3 (0.8) and relates to sales of excessive raw material back in Q2. .

Operating profit increased to MSEK -175.8 (-326.9). Lower production during the period in combination with lower depreciations of intangible assets and cost savings initiated in Q4 2021 are all part of the improvement.

Financial items amounted to MSEK -30.1 (-22.1), of which MSEK -7.8 relates to loss in exchange rates, interest on loans and accrued service charge to the EIB, amounted to MSEK -11.0. accrued service charge to the EIB, amounted to MSEK -7.7. Interest component of the lease liabilities related to costs for the company's premises MSEK -2.2

Profit before and after tax amounted to MSEK -205.8 (-349.0).

CASH FLOW AND INVESTMENTS

Cash flow from operating activities amounted to MSEK -150.2 (-314.7). Changes in working capital amounted to MSEK -9.7 (-41.9), of which MSEK -36.9 consisted of decreased operating liabilities, MSEK +5.6 was decreased inventories and MSEK -21.6 was decreased operating receivables.

Investments amounted to MSEK -49.0 (-153.3), of which MSEK -43.9 (-135.6) consisted of investments in machinery and equipment for the factory in Gävle and Paldiski MSEK -5.2 (-17.7) consisted of capitalised development costs and patents.

Cash flow from investment activities amounted to MSEK 221.6 (819.6). Of which MSEK 226.2 related to a new share issue. The amortisation component of the lease liabilities relating to the company's premises costs amounted to MSEK -4.6 (-3.3).

Cash flow for the period was MSEK 22.4 (351.6).

PERSONNEL

During the year up until 30 September 2022, the average number of Full-time equivalent workers fell to 125 (216). Numbers of employee fell to 114 (175) and contractors to 11 (41) Within the production organization, numbers of FTEs were reduced to 44 (175). The reason behind is the decreased production levels that generated two redundancy notices in Q4 2021.

The total numbers of FTEs at the end of the period, was 106 (248), of which 39(152) worked in the production organization.

FINANCIAL POSITION

BALANCE SHEET

The balance sheet total is MSEK 835.7 (1 068.0). The comparative period for the balance sheet analysis is September 30 year 2021.

The group's **intangible fixed assets** at the end of the period amounted to MSEK 45.0 (179.2). Assets consist of capitalised expenditure for development work of MSEK 43.8 (178.4) and patents of MSEK 1.2 (0.8). During the period, MSEK 5.1 of development expenditure has been capitalised for the development of a new product with oxygen filling and the development of BMS (Battery Management System). **Property, plant and equipment** amounted to MSEK 346.2 (304.3), of which MSEK 189.6 (134.6) consisted of fixed assets under construction for the now almost completed factory in Gävle and the commenced expansion of Nilar's new factory in Estonia. Total tangible assets consist of forming and electrode manufacturing equipment for a total of 6 completed production lines in Gävle and for 4 started lines in Estonia. **Current assets** at the end of the period amounted to MSEK 369.6 (545.8). Inventories amounted to MSEK 93.7 (91.5).

Equity in the group per last of September amounted to MSEK 511.9 (729.1). Of which MSEK 226.4 related to a new share issue.

Liabilities at the end of the period amounted to MSEK 323.8 (338.9), of which **long-term liabilities** amounted to MSEK 218.1 (201.5) and **short-term liabilities** amounted to MSEK 105.7 (137.4). The equity ratio was 61% (68%).

RAISE OF NEW EQUITY

The rights issue carried out in 2022 secured the financing of the company's operations until the end of 2023, assuming Nilars production and sales improves in according to plan. Since the summer, the company and the board have been working on implementing the established strategy related to product and production improvements as well as market segmenting and pricing. In addition, extensive work has been carried out to reduce costs and lower purchases. Nilar will need additional capital no later than in the beginning of 2024 to be able to finance continued operations. At the time of signing the interim report, no additional financing has been secured and the conditions for future financing will, among other things will be affected by the situation on the financial market. The board is evaluating various possible sources of funding. Possible sources of capital are loans and share issues. Given these sources of capital the board assesses that new capital will be able to be acquired in the second half of 2023.

IMPACTS, RISKS AND UNCERTAINTIES RELATING TO THE ONGOING WAR IN UKRAINE

There is no direct impact relating to the ongoing war in Ukraine, since neither Nilar's customers nor supplier are located in that area. Nilar will however be affected indirectly by the increased cost for energy and raw materials caused by this situation. Nilar continuously work to improve internal processes to reduce the effect of these types of risks especially when it comes to find new suppliers.

GROUP STATEMENT OF THE COMPREHENSIVE INCOME

TSEK	Note	Q3			9 months	Full year
		2022 jul-sep	2021 jul-sep	2022 jan-sep	2021 jan-sep	2021 jan-dec
Revenue	1	1 232	5 368	-1 190	17 931	17 820
Cost of sales		-32 567	-92 744	-105 918	-259 717	-497 327
Gross profit		-31 334	-87 375	-107 107	-241 786	-479 507
Research and development expenses		-8 690	-5 354	-26 492	-21 932	-32 730
Distribution and selling costs		-5 421	-10 484	-19 933	-33 766	-45 971
Administrative expenses		-8 378	-9 260	-25 595	-30 197	-41 771
Other operating income		61	316	3 342	754	3 594
Operating profit / EBIT		-53 762	-112 157	-175 785	-326 927	-596 386
Finance income		2 886	19 517	4 083	19 521	44 203
Finance costs	2	-12 920	-7 349	-34 144	-41 638	-48 356
Finance costs - net		-10 034	12 168	-30 062	-22 117	-4 153
Profit before income tax		-63 796	-99 989	-205 847	-349 043	-600 539
Income tax		-	-	-	-	-
Net profit/loss after tax		-63 796	-99 989	-205 847	-349 043	-600 539
Attributable to:		-	-	-	-	-
Parent Company shareholders		-63 796	-99 989	-205 847	-349 043	-600 539
Non-controlling interests		-	-	-	-	-
Earnings per share						
Profit after tax		-63 796	-99 989	-205 847	-349 043	-600 539
Number of shares at end of period		297 066 983	45 511 751	297 066 983	45 511 751	45 511 751
Number of share options at end of period		250 315	260 315	250 315	260 315	260 315
Weighted number of ordinary shares before dilution ¹⁾ ,		297 066 983	45 511 751	131 226 867	28 009 582	32 385 124
Earnings per share before dilution, ¹⁾²⁾ SEK		-0,21	-0,70	-1,14	-3,94	-5,87
Other comprehensive income						
Currency translation differences		69	-43	-126	-52	-115
Other comprehensive income for the year, net after tax		69	-43	-126	-52	-115
Total comprehensive income		-63 727	-100 032	-205 973	-349 095	-600 655

¹⁾ For Average number of shares and Earnings per share after dilution, the option rights in the convertible loan and the EIB loan have not been taken into account, which would have resulted in a smaller negative result per share.

²⁾ The historic amount of outstanding stocks when calculation earnings per share have been recalculated as an effect of the bounds issue parameter in the carried out rights issue during q2 2022. The conversion factor is 3.16.

GROUP BALANCE SHEET

TSEK	Note	2022-09-30	2021-12-31	2021-09-30
ASSETS				
FIXED ASSETS				
Intangible fixed assets				
Patents		1 194	1 097	784
Capitalized expenditure for development work		43 801	38 724	178 369
Total intangible fixed assets		44 995	39 821	179 153
Tangible fixed assets				
Property, plant and equipment		156 604	193 204	169 656
Fixed assets under construction		189 622	155 089	134 619
Total tangible fixed assets		346 226	348 293	304 275
Other fixed assets				
Right-of-use assets		74 879	52 743	38 837
Total other fixed assets		74 879	52 743	38 837
Total fixed assets		466 100	440 857	522 265
CURRENT ASSETS				
Inventories	4	93 659	99 251	91 452
Accounts receivable - trade		5 883	6 937	9 164
Tax assets		2 273	1 630	1 739
Other receivables		12 757	33 435	15 776
Prepaid expenses and accrued income		1 793	2 309	2 111
Cash and cash equivalents		253 185	230 748	425 512
Total current assets		369 550	374 311	545 754
Total assets		835 650	815 168	1 068 019
EQUITY AND LIABILITIES				
EQUITY				
Share capital		49 511	7 585	7 585
Other contributed capital		2 236 172	2 051 757	2 037 837
Other reserves		-102	24	87
Retained earnings		-1 773 715	-1 567 868	-1 316 372
Total equity		511 866	491 498	729 137
LIABILITIES				
Non-current liabilities				
Long-term interest-bearing lease liabilities		64 673	46 092	33 521
Borrowings	3	153 404	135 125	167 995
Total non-current liabilities		218 077	181 217	201 516
Current liabilities				
Current lease liabilities, interest-bearing		11 282	7 670	5 863
Provisions of warranty		22 731	26 818	25 509
Accounts payable - trade		8 731	32 889	35 590
Other liabilities		48 727	53 552	49 186
Accrued expenses and deferred income		14 236	21 524	21 219
Total current liabilities		105 707	142 452	137 365
Total equity and liabilities		835 650	815 168	1 068 019

GROUP STATEMENT OF CHANGES IN EQUITY IN SUMMARY

TSEK	2022-09-30	2021-09-30	2021-12-31
Equity at start of period	491 498	103 118	103 118
Comprehensive income			
Earnings after tax	-205 847	-349 043	-600 539
Other comprehensive income	-126	-52	-115
Total comprehensive income	-205 973	-349 095	-600 655
Transactions with shareholders			
New share issue	226 341	973 321	973 321
Issued share options	-	1 794	1 794
Reclassification of derivative liability	-	13 920	-
Total transactions with shareholders	226 341	975 114	989 035
Equity at end of period	511 866	729 137	491 498

GROUP CASH FLOW ANALYSIS

TSEK	Q3		2022 jan-sep	9 months 2021 jan-sep	Full year 2021 jan-dec
	2022 jul-sep	2021 jul-sep			
Cash flows from operating activities					
Profit/loss before tax	-63 796	-99 989	-205 847	-349 043	-600 539
Profit/loss on disposal of fixed assets	108	490	108	252	403
Interest paid and received	-2 724	-1 960	-4 474	-6 859	-8 876
Adjustment for other non-cash items					
Depreciation on tangible and intangible fixed assets	15 802	19 190	45 841	55 385	76 796
Write-down of intangible fixed assets	-	-	-	-	137 472
Provisions for warranty	-	23 684	-	9 924	11 233
Accrued interest	2 230	1 764	15 459	15 524	17 508
Changes in value of derivatives	-	-19 469	-	-7 569	-28 956
Translation differences	4 556	1 461	11 881	2 798	3 244
Other adjustments	-1 121	-56	-3 444	-71	-586
Cash flow from operating activities before changes in working capital	-42 221	-72 924	-140 477	-272 801	-383 404
Cash flow from changes in working capital					
Increase (-) /decrease (+) in inventories	3 659	-31 270	5 592	-49 438	-57 238
Increase (-) /decrease (+) in operating receivables	-4 885	930	21 606	10 607	-4 891
Increase (+) /decrease (-) in operating liabilities	-4 691	-8 824	-36 914	-3 074	-1 114
Total changes in working capital	-5 917	-39 165	-9 716	-41 905	-63 244
Cash flow from operating activities	-48 138	-112 090	-150 193	-314 706	-446 648
Investing activities					
Investments in intangible assets	-707	-5 263	-5 117	-17 696	-24 170
Investments in tangible fixed assets	-5 892	-60 365	-43 882	-135 629	-190 949
Cash flow from investing activities	-6 599	-65 628	-48 999	-153 324	-215 120
Financing activities					
New share issue	-13 725	-	226 215	733 310	733 310
Option programme	-	-	-	1 794	1 794
Repayment of debt	-2 211	-1 109	-4 586	-3 338	-4 373
Loans raised	-	-	0	87 819	87 819
Cash flow from financing activities	-15 936	-1 109	221 629	819 585	818 549
Reconciliation of cash and cash equivalents					
Cash equivalents as of beginning of the period	323 807	604 325	230 748	73 940	73 940
Cash flow for the period	-70 673	-178 826	22 437	351 554	156 782
Exchange rate difference in cash and cash equivalents	51	12	-	17	27
Cash and cash equivalents at the end of the period	253 185	425 512	253 185	425 512	230 748

THE PARENT COMPANY'S INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

TSEK	Q3			9 months	Full year
	2022 jul-sep	2021 jul-sep	2022 jan-sep	2021 jan-sep	2021 jan-dec
Revenue	-	-	-	-	-
Cost of sales	-30	-95	-119	-249	-233
Gross profit	-30	-95	-119	-249	-233
Research and development expenses	-1 049	-8 336	-1 897	-24 269	-170 563
Distribution and selling costs	-60	-37	-344	-394	-618
Administrative expenses	-4 480	-4 664	-12 997	-17 323	-23 101
Other operating income	0	-0	44	-0	1 395
Operating profit / EBIT	-5 619	-13 132	-15 313	-42 234	-193 120
Finance income	6 997	21 509	16 295	28 014	56 862
Finance costs	-11 655	-6 620	-30 619	-39 793	-45 641
Write-down of shares in subsidiaries	-150 000	-	-150 616	-350 000	-502 537
Finance costs - net	-154 659	14 889	-164 941	-361 779	-491 316
Profit after finance costs	-160 278	1 757	-180 253	-404 013	-684 436
Profit before tax	-160 278	1 757	-180 253	-404 013	-684 436
Income tax expense	-	-	-	-	-
Profit after tax	-160 278	1 757	-180 253	-404 013	-684 436
Parent company statement of other comprehensive income					
Other comprehensive income, net after tax	-	-	-	-	-
Total comprehensive income for the period	-160 278	1 757	-180 253	-404 013	-684 436

PARENT COMPANY'S BALANCE SHEET

TSEK	2022-09-30	2021-12-31	2021-09-30
ASSETS			
FIXED ASSETS			
Intangible fixed assets			
Patents	1 194	1 097	784
Capitalized expenditure for development work	43 801	38 724	178 369
Total intangible fixed assets	44 995	39 821	179 153
Tangible fixed assets			
Property, plant and equipment	191	228	240
Total tangible fixed assets	191	228	240
Financial non-current assets			
Participations in Group companies	379	379	354
Receivables from Group companies	278 432	237 523	213 766
Total financial non-current assets	278 811	237 902	214 120
Total fixed assets	323 997	277 951	393 513
CURRENT ASSETS			
Accounts receivable - trade	-	171	-
Tax assets	652	359	652
Other receivables	2 001	6 287	-3 781
Prepaid expenses and accrued income	998	1 142	906
Cash and cash equivalents	248 330	225 302	419 494
Total current assets	251 981	233 260	417 271
Total assets	575 978	511 210	810 784
EQUITY AND LIABILITIES			
EQUITY			
Restricted equity			
Share capital	49 511	7 585	7 585
Statutory reserve	34 401	34 401	34 401
Fund for development expenditure	43 801	38 724	32 134
Total restricted equity	127 713	80 710	74 120
Non-restricted equity			
Share premium reserve	2 203 540	2 019 125	2 005 205
Profit/loss brought forward	-1 735 233	-1 045 720	-1 039 130
Profit/loss for the year	-180 253	-684 436	-404 013
Total non-restricted equity	288 054	288 969	562 062
Total equity	415 767	369 680	636 182
LIABILITIES			
Non-current liabilities			
Borrowings	153 404	135 125	167 995
Total non-current liabilities	153 404	135 125	167 995
Current liabilities			
Accounts payable - trade	1 926	1 186	707
Other liabilities	1 774	1 912	1 319
Accrued expenses and deferred income	3 108	3 308	4 581
Total current liabilities	6 807	6 405	6 607
Total equity and liabilities	575 978	511 210	810 784

NOTES TO THE FINANCIAL REPORT

GENERAL INFORMATION

Nilar International AB (publ), 556600-2977, the parent company and its subsidiaries, referred to collectively as the group, is a company engaged in the development, manufacture and sale batteries for use in electrical energy storage devices. The parent company is a limited liability company with its registered office and headquarters in Täby, Sweden. The address of the head office is Stockholmsvägen 116A, 187 30 Täby, Sweden.

The company's shares have been listed on Nasdaq First North Premier Growth Market under the ticker name NILAR since 30 April 2021.

ACCOUNTING PRINCIPLES

The interim report for the group has been prepared in accordance with IAS 34, Interim Financial Reporting, and the Annual Accounts Act. The financial statements for the parent company have been prepared in accordance with the Annual Accounts Act and RFR 2, Accounting for legal entities. The accounting policies applied are unchanged from the principles set out in the 2021 Annual Report.

The new standards and interpretations and amended standards effective from 1 January 2022 have not had a material impact on the group's financial statements. The same applies to the parent company, i.e. changes in RFR 2 effective from 1 January 2022 have not had a material impact on the parent company's financial statements.

Segment

The group consists of only one reportable segment, Nilar, as it is at this level that the group's management team is responsible for allocating resources and assessing the performance of the business.

ESTIMATES AND ASSESSMENTS

Estimations and assumptions are appraised continually and based on historical experience and other factors, including expectations concerning events in the future which are said to be plausible under prevailing circumstances.

The group makes assessments and assumptions for the future. The estimates for accounting purposes resulting from these will, by definition, rarely correspond to the actual profit/loss. The estimates and assumptions involving a considerable risk of significant adjustments to the recognised value of assets and liabilities in the next financial year are outlined below.

Impairments of intangible fixed assets

Nilar capitalises expenditure relating to product development, production process development and Battery Management System (BMS) to the extent that they are deemed to meet the criteria of IAS 38 paragraph 71 as set out on page 56 of the 2021 Annual Report.

Development costs for uncompleted projects that have been recognised amount to MSEK 43.8 and are related to the development of a new oxygen filling product and the development of a new BMS (Battery Management System).

The company continuously assesses whether there is a need to write down the value of its assets. At the end of this quarter the board of Directors considers that there is no need for impairment for uncompleted projects. This, because impairment testing of fixed assets shows that the recoverable amount exceeds the carrying amount. However, the outcome is sensitive to changes in key assumptions. The estimated recoverable amount for Nilar has small room for changes in the key assumptions

Valuation of loss carry-forwards

Deferred tax assets are valued at no more than the amount likely to be recovered based on the current and future taxable income. The portion of the tax asset relating to loss carry-forwards that exceeds the tax liability relating to temporary differences is not recognised due to uncertainty as to when in the future sufficient taxable profits will be generated. The Group had per 2021-12-31 unused tax losses of MSEK 1,330 (880.4), of which MSEK 1,329 (880.4) relates to unrecognised loss carry-forwards. These relate to unused loss carry-forwards for the parent company and the Swedish subsidiary. When the temporary difference will give rise to current tax, the corresponding loss carry-forwards will be utilised, so that there will be no actual tax payment. Deferred tax assets and liabilities are therefore recorded net, at 0.

BREAKDOWN OF NET SALES (NOTE 1)

MSEK	Q3		Period		Full year
	2022	2021	2022	2021	2021
Revenue	jul-sep	jul-sep	jan-sep	jan-sep	jan-dec
Sweden	1,1	1,7	3,5	11,3	12,6
Germany	-	3,5	-	-	4,4
Netherlands	-	-	-	-	-
Switzerland	-	-	-	-	-
Other Europe	0,1	0,2	-	-	0,9
India	-	-	-	-	-
Total	1,2	5,4	-1,2	18,0	17,8

Nilar's geographic focus is within the European markets, with a particular focus on the Nordic countries, Benelux, DACH (the German-speaking markets) and the UK. The customers are mainly system integrators of electrical energy storage.

Nilar's revenue consists mostly of product sales of batteries and battery management systems. Revenue recognition currently takes place upon delivery and when control has been transferred to the customer. The company has no contract assets, contract liabilities or outstanding performance commitments.

FINANCIAL EXPENSES (NOTE 2)

MSEK	Q3		Period		Full year
	2022	2021	2022	2021	2021
Financial expenses	jul-sep	jul-sep	jan-sep	jan-sep	jan-dec
Interest expenses to shareholders	-	-	-	-10,1	-10,1
Interest expenses EIB	-3,7	-3,6	-11,0	-10,0	-13,6
Interest expenses leasing	-0,8	-0,4	-2,2	-1,2	-1,7
Other interest expenses	-0,4	-0,3	-0,9	-0,7	-1,1
Changes in value of derivatives	-	-1,3	-	-14,7	-15,1
Other financial expenses	-3,9	-1,7	-7,8	-5,0	-6,8
Exchange difference	-1,2	-	-7,9	-	-
Total	-10,0	-7,3	-29,8	-41,7	-48,4

Financial expenses for the quarter consist of interest expenses of MSEK -3.7 related to the EIB loan, interest expenses for leasing of MSEK -0.8 and accrual of fees related to the EIB loan of MSEK -3,9 and exchange losses of MSEK -1.2.

BORROWINGS (NOTE 3)

MSEK	22-09-30	21-12-31	21-09-30
Convertible loan	-	-	35,3
EIB	153,4	135,1	132,7
Total	153,4	135,1	168,0

EIB

In October 2020, the EIB (European Investment Bank) granted the company a 5-year loan facility of MEUR 47 based on specific conditions, of which MEUR 35 with planned disbursement in 2020-2022 tranche A and B for further expansion of the Gävle plant, and MEUR 12 tranche C with planned disbursement in 2023 to part-finance the next plant.

The condition for the disbursement of the initial MEUR 17.5 (tranche A) was achieved with the capital raising completed in H2 2020 of MSEK 178 before fees. The first partial tranche of MEUR 8.75 [MSEK 91.0] was received in the fourth quarter of 2020. The second and final payment of tranche A MEUR 8.75 [MSEK 87.8] was received in the first quarter of 2021. Remaining tranches have not nor will be used.

Tranche A runs from 24 November 2020 to 31 December 2025 with an annual interest rate of 7.5%, and the EIB has received 160,633 warrants in Nilar International AB entitling the lender to purchase shares at a fixed price during the term of the option. The debt is recognised at amortised cost.

Fair value

The options to the EIB were recognised at fair value through the income statement. On 27 October 2021, the lock-up commitments for the company's shares expired, with the result that the conditions for debt classification of the options no longer apply. The option was valued using Black-Scholes with volatility assumptions and the market value of the option at maturity was MSEK 13.9. The value at maturity has had an impact on the company's equity during the quarter. The share price has a significant impact on the valuation. A 10% increase in the share price results in a 10% increase in the market value.

INVENTORIES (NOTE 4)

TSEK	22-09-30	21-09-30	21-12-31
INVENTORIES			
Raw materials	122 278	69 715	92 514
Stock of semi-finished products	35 301	37 387	39 714
Finished products	3 809	2 465	4 624
Advance suppliers	14 833	25 941	22 147
IMPAIRMENT TO NET SALES VALUE			
Raw materials	-44 740	-23 410	-34 217
Stock of semi-finished products	-34 013	-19 370	-22 869
Advance suppliers	-3 809	-1 277	-2 662
Sum inventories	93 659	91 451	99 251

The inventory is valued at the lower of purchased prices or disposal value. Raw materials and items relating to the new product strategy have been valued at purchased prices, remaining inventory has been written down to an estimated disposal value.

TRANSACTIONS WITH RELATED PARTIES

There have been no significant related party transactions during the reporting period. More information is available in Note 25 in the 2021 Annual Report.

PARENT COMPANY

JANUARY – SEPTEMBER 2022

The parent company's net sales amounted to MSEK 0 (0). Intergroup purchases amounted to MSEK 5.1 (17.2) and consisted of the acquisition of intangible assets from the subsidiary Nilar AB. Research and development expenses amounted to MSEK -1.9 (-24.3) and consisted mainly of patent maintenance fees. Net financial income amounted to MSEK 165.0 (-361.8), which is explained by financial expenses of MSEK -150.6 (-350.0), of which MSEK -11.0 (-10.0) is interest on loans to the EIB. The result after tax was MSEK -180.3 (-404.0).

Cash flow for the period was MSEK 23.0 (-353.9). Cash and cash equivalents at the end of the period amounted to MSEK 248.3 (419.5).

The equity ratio was 72% (78%). Equity capital amounted to MSEK 415.8 (636.2).

SIGNIFICANT RISKS AND UNCERTAINTIES

Nilar is affected by a number of external and internal factors that may result in an outcome that differs from forecasts, past performance and expectations. The following list represents a selection of the risks that the company considers significant but is not an exhaustive list of possible risks.

- Financial risks
- Economic, market and environmental risks
- Operating risks
- Sustainability risks

Nilar as all other companies is challenged due to macro-economic fluctuations and changes in geopolitical affairs around the globe. Changes as political insecurity, global virus spreads and potential pandemics can rapidly change the landscape for doing business. Since February 2022 sanctions and uncertainties have escalated. The Russian invasion of Ukraine has raised worries on multiple levels, especially in the area around supply of specific raw materials. Nilar carefully monitors this situation but cannot at this time fully evaluate the impact for Nilar's business.

COVID-19 had a negative effect due to customers' shortage of electronics and higher costs for raw material and other components, as well as increased delivery times. Nilar has worked closely with our suppliers to increase the stock of vital materials and components to reduce future risks. The company also has temporarily reduced volumes produced.

Impairment testing of fixed assets shows that the recoverable amount exceeds the carrying amount. However, the outcome is sensitive to changes in key assumptions. The estimated recoverable amount for Nilar has no room for changes in the key assumptions.

Risk management is described in more detail in the Annual Report 2021, Note 4 'risks and risk management'. All forward-looking statements in this report are based on the company's best estimates as of the date of the report. Such statements, like all forward-looking statements, involve risks and uncertainties that could cause actual results to differ.

ASSETS PLEDGED AS SECURITY AND CONTINGENT LIABILITIES

All the company's floating charges, totalling MSEK 30, are unused.

Täby, 16 October 2022

The Board of Directors

AUDITORS' REPORT

Nilar International AB (Publ), org.nr 556600-2977

Introduction

We have reviewed the interim report for Nilar International AB (publ) for the period January 1 - September 30, 2022. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Significant uncertainties regarding the assumption of continued operation

We would like to draw attention to the description on page 6 under section "Raise of new capital", which shows the Board's view of and measures to secure financing for further development. As stated on page 6, these assumptions are dependent on the company's ability to develop positively with assumed production and sales forecasts, suggesting that there is a significant uncertainty factor that could lead to significant doubts about the company's ability to continue operations. We have not modified our statement because of this.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, November 17, 2022
Deloitte AB

Therese Kjellberg
Authorized Public accountant

COMPARISON PER QUARTER

GROUP	2022				2021				2020		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
MSEK											
Delivered batteries, number	68	232	272	227	884	1 111	963	1 085	1 043	1 100	
Production lines, commissioned, at end of quarter	6	6	6	6	4	4	4	3	3	2	
Shifts, at end of quarter	1	2	2	2	4	4	4	3	2	2	
Income statement											
Revenue	1,23	1,77	-4,19	-0,1	5,4	7,2	5,4	5,7	7,5	7,5	
Gross profit	-31,3	-35,0	-40,8	-237,7	-87,4	-84,8	-69,6	-78,1	-39,9	-39,7	
EBITDA	-38,0	-42,8	-48,1	-110,6	-93,0	-100,6	-78,0	-77,3	-42,6	-48,5	
Operating profit (EBIT)	-53,8	-58,5	-63,5	-269,5	-112,2	-118,7	-96,0	-101,8	-58,3	-63,1	
Profit/loss before tax	-63,8	-67,8	-74,2	-251,5	-100,0	-134,7	-114,4	-113,2	-75,6	-86,0	
Profit/loss after tax	-63,8	-67,8	-74,2	-251,5	-100,0	-134,7	-114,4	-113,2	-75,6	-86,0	
Depreciation	-15,8	-15,7	-15,4	-21,4	-19,2	-18,2	-18,0	-17,8	-15,7	-14,5	
Intangible assets	-0,0	-0,0	-0,0	-8,3	-7,9	-7,7	-7,7	-8,0	-8,0	-8,0	
Tangible assets	-13,3	-13,3	-13,3	-11,6	-10,1	-9,2	-9,0	-8,7	-6,5	-5,4	
Capitalized expenses for development work	0,7	1,7	2,6	6,1	5,1	5,5	6,6	5,2	6,7	5,4	
Average employed and contracted personnel	101	105	168	253	227	224	198	190	143	155	
Employed and contracted personnel, end of period	119	120	170	265	276	251	234	223	175	184	
Cash flow											
Operating activities	-51,6	-51,6	-58,9	-131,9	-112,1	-122,3	-81,9	-67,8	-42,6	-41,3	
Investing activities	-14,2	-14,2	-17,5	-61,8	-65,6	-51,2	-36,5	-60,6	-17,5	-14,7	
Financing activities	238,6	238,6	-3,4	-1,0	-1,1	716,9	105,3	131,5	123,1	-1,0	
Cash flow for the period	172,8	172,8	-79,8	-194,8	-178,8	543,5	-13,1	3,2	63,0	-57,0	
Balance sheet											
Fixed assets	466,1	473,3	469,9	440,9	522,3	476,2	442,2	421,0	384,4	382,6	
Current assets	369,5	438,8	264,7	374,3	545,8	694,2	137,1	155,3	118,4	53,0	
Total assets	835,6	912,1	734,7	815,2	1 068,0	1 170,4	579,2	576,4	502,8	435,7	
Equity	511,9	589,3	417,3	491,5	729,1	829,2	7,3	103,1	170,3	121,8	
Non-current liabilities	218,1	213,1	205,6	181,2	201,5	218,9	212,9	119,1	35,0	35,8	
Current liabilities	105,7	109,6	111,8	142,5	137,4	122,4	359,0	354,1	297,5	278,1	
Total equity and liabilities	835,6	912,1	734,7	815,2	1 068,0	1 170,4	579,2	576,4	502,8	435,7	
Capitalised expenses for patents	1,2	1,2	1,2	1,1	0,8	0,7	0,5	0,5	1,0	1,0	
Capitalized expenditure for development work	43,8	43,1	41,4	38,7	178,4	181,1	183,2	184,3	185,3	186,6	
Property, plant and equipment	156,6	170,0	183,4	193,2	169,7	138,1	137,3	146,4	142,6	88,9	
Fixed assets under construction	189,6	182,5	167,0	155,1	134,6	116,2	80,3	50,6	15,6	65,0	
Inventories	93,7	97,3	95,6	99,3	91,5	60,2	42,0	42,0	26,1	27,8	
Cash and cash equivalents	253,2	323,8	151,0	230,7	425,5	604,3	60,8	73,9	70,8	7,8	
Equity/debt ratio, % ¹	61%	65%	57%	60%	68%	71%	1%	18%	34%	28%	
Debt ratio, times ¹	0,6	0,5	0,8	0,7	0,5	0,4	78,2	4,6	2,0	2,6	

SHARE DATA

MSEK	2022				2021				2020		
	Q2	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Shares at end of period, '000	297 067	297 067	45 512	45 512	45 512	45 512	5 087	5 025	4 714	4 432	
Share options at end of period, '000	250	250	250	260	260	260	171	171	10	10	
Average number of shares, '000	297 067	51 102	45 512	45 512	45 512	33 440	5 077	4 969	4 573	4 432	
Average number of share options, '000	250	250	250	260	260	254	171	96	10	55	

¹ Alternative key ratios. See page 18 for further explanations.

ALTERNATIVE KEY RATIOS

The interim report refers to a number of non-IFRS performance measures that are used to help investors and management analyse the company's activities. The measures presented in this report may differ from similarly named measures in other companies.

Definitions of alternative key ratios that are not calculated according to IFRS

Alternative key figures	Definitions	Purpose
Gross profit/loss	Revenue minus cost of sales.	The gross profit/losses ratio demonstrates the Company's efficiency in production and for calculation of gross margin.
EBITDA	Operating income before depreciation, amortization and write-downs of tangible and intangible assets and Right-of-Use assets.	The measurement is a good complement to operating profit as it shows, simplified, cash flow from the operations.
Operating profit (EBIT)	Earnings before interest and taxes.	The operating profit provides a comprehensive view of the total profit generating from the operating activities.
Cash flows from investing activities	Investments in tangible and intangible current assets.	The ratio demonstrates the Company's investments in new products and production measures (intangible assets) and in production facilities (tangible fixed assets) to grow the business.
Cash flows from financing activities	Cash flows from financing activities include for example share issues, loans raised and amortization of loans.	Cash flow from financing activities indicator measures the generated or used cash flow to fund the Company's investing activities.
Shareholder equity ratio, %	Equity divided by balance sheet total.	A traditional measurement of financial risk, expressed as the percentage of the restricted capital financed by the owners.
Debt ratio, times	Interest-bearing net liabilities divide by equity.	The debt/equity ratio shows the proportion of the Company's liabilities in relation to equity.

GLOSSARY

The interim report refers to a number of concepts that are used to help investors and management analyse the company's activities.

Name	Description	Reason for use of the measure
Capitalization of development expenses	Costs for product development, production technology development and establishment costs for an expanded production facility.	The measure shows how much of the company's operating expenses are invested in activities that are expected to generate increased revenue or reduced costs in the future.
Battery system	Battery systems of varying sizes consisting of Nilar batteries and BMS.	The measure shows how the number of battery systems delivered has changed between periods.
Capitalized expenditure for development	Development expenses are capitalized when they meet the criteria set out in IAS 38 and are estimated to amount to significant amounts for the development effort as a whole. In other respects, development expenses are expensed as normal operating expenses. The most important criteria for capitalization are that the development work's end-product has likely future earnings or cost savings and cash flow, and that there are technical and financial prerequisites to complete the development work when it is started. The capitalized costs are generated both externally and internally and include direct costs for completed work. Direct attributable expenses that are capitalized as part of product development, production processes and implementation of business systems include expenses for third parties and employees.	The measure shows how much of the company's investments in new products and production methods (intangible fixed assets) remain on the balance sheet after depreciation and amortization.
Average number of employees and temporary agency workers	The average number of employees and consultants for positions that are not temporary and do not replace absent employees. Refers to FTE (full employment).	Supplementing the number of employees with consultants gives a better picture of the cost base.

MISCELLANEOUS

Financial calendar

Year-end report and report for the fourth quarter of 2022: 16 February 2023

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This interim report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish interim report and the English translation, the former shall take precedence.

